

- The municipality submits information that DNR uses to calculate the project's parallel cost percentage.
- The municipality submits to DNR other project, financial, and utility information, as requested by the project manager.
- The State Trust Fund provides loan information to the DNR.
- The DNR approves the plans and specifications and accepts the Interest Rate Subsidy Application.

GENERAL OBLIGATION PLEDGE

The State Trust Fund requires the municipality to pledge its General Obligation (GO) borrowing capacity to secure the loan. If the municipality is unsure how much GO capacity it has available, it should contact Mike Treviranus at the Department of Revenue at (608) 266-8207 or mtrevira@dor.state.wi.us.

THE SLP PAYMENT PROCESS

Each January, the BCPL sends an invoice to each municipality that has a loan payment due on the following March 15th. The invoice shows the principal amount, the interest amount, and the total payment due. DOA receives a copy of the invoice, which it uses to calculate the interest subsidy payment. Prior to the March 15th loan payment date, DOA sends an interest subsidy check to the municipality for a portion of its State Trust Fund loan interest payment. The municipal clerk deposits the SLP interest subsidy check in a municipal account, then issues one check for the whole amount due to the State Trust Fund.

A municipality may prepay all or a portion of its State Trust Fund loan without penalty between March 15th and July 31st each year. A 30-day notice of prepayment is required by the State Trust Fund. DOA will adjust the remaining interest subsidy payments to reflect any prepayments.

ADVANTAGES OF THE SLP

Flexibility - The State Trust Fund offers loan terms of up to 20 years, so the municipality can select a loan alternative that best fits its financing needs. The SLP interest subsidy payments are then scheduled based on the loan term.

Streamlined Approach - The Interest Rate Subsidy Application is short and simple and offers a

streamlined review process. Likewise, the State Trust Fund loan process is short and simple.

No Issuance Costs - No fees are charged for a State Trust Fund loan or an SLP Interest Rate Subsidy Agreement.

DISADVANTAGES OF THE SLP

Limited General Obligation Capacity - A municipality must provide a general obligation pledge to the State Trust Fund. Wisconsin Statutes limit the amount of a municipality's aggregate general obligation debt to 5% of its equalized valuation.

No Hardship Assistance - The SLP has no "hardship" component to reduce interest rates below the regular CWFP interest rates.

WHO TO CONTACT

For further information about the SLP and to obtain application forms, contact the Department of Natural Resources, Bureau of Community Financial Assistance or visit our website at:
<http://www.dnr.state.wi.us/org/caer/cfa/EL/elindex.html>.

FORMS: Jodi Armstrong (608) 264-6120 or e-mail at jodi.armstrong@dnr.state.wi.us or Deb Olson (608) 266-5889 or e-mail at debra.olson@dnr.state.wi.us

PROGRAM INFORMATION: Dave Calhoon (608) 264-8844 or e-mail at david.calhoon@dnr.state.wi.us.

For information about a State Trust Fund loan, call the Board of Commissioners of Public Lands at (608) 266-0034 or visit its website at <http://bcpl.state.wi.us/asx/index.asp>.

Wisconsin DNR
Bureau of Community Financial Assistance
Environmental Loans Section – CF/8
P O Box 7921
Madison WI 53707-7921
Phone (608) 266-7555
Fax (608) 267-0496

WISCONSIN'S CLEAN WATER FUND SMALL LOAN PROGRAM



THE CLEAN WATER FUND PROGRAM SMALL LOAN PROGRAM

Within the Clean Water Fund Program (CWFP), there is a subprogram called the Small Loan Program (SLP). The SLP provides municipalities a more streamlined, less costly approach to financing wastewater treatment or storm water projects that have total estimated project costs of \$1,000,000 or less. The program is designed to reduce the interest rate on loans from the State Trust Fund (the Board of Commissioners of Public Lands) used to finance eligible projects. If the municipality takes out a loan from the State Trust Fund for the planning, design, and construction of wastewater treatment facilities or structural urban BMPs for storm water, the municipality may then apply for an interest rate subsidy through the SLP. An interest rate subsidy would help the municipality pay the interest costs on its State Trust Fund loan.

HOW THE SLP WORKS

A municipality applies to the Board of Commissioners of Public Lands (BCPL) for a State Trust Fund loan to finance the planning, design, and construction of its DNR-approved wastewater project or structural urban BMP. The municipality submits a Notice of Intent to Apply (ITA) form and a Priority Evaluation and Ranking Form (PERF) by December 31 preceding the state fiscal year in which it plans to submit an Interest Rate Subsidy Application. While waiting for approval of its State Trust Fund loan application, or after receiving approval, the municipality submits an Interest Rate Subsidy Application to the Department of Natural Resources (DNR), Bureau of Community Financial Assistance. A DNR project manager reviews the Interest Rate Subsidy Application and determines the interest rate reduction to be applied to the municipality's project. The Department of Administration (DOA) calculates the interest rate subsidy amount based on the DNR's determination. The SLP's annual subsidy costs are limited to an amount no greater than the subsidy cost that the CWFP would incur to fund the project with a regular CWFP loan.



The DNR project manager prepares an Interest Rate Subsidy Agreement (IRSA) that authorizes the CWFP to make annual payments to the municipality that subsidize the annual interest payments due on the State Trust Fund loan. The municipality, DOA, and DNR sign the IRSA, and copies are distributed. The BCPL annually mails an invoice to the municipality for its principal and interest payment due. The DOA receives a copy of the invoice and sends an interest subsidy check to the municipality prior to the date payment is due on the State Trust Fund loan. The SLP interest rate subsidy is calculated in a manner that limits the State's annual subsidy costs to an amount no greater than the subsidy cost that the State would incur to fund the project with a regular CWFP loan.

EXAMPLES OF THE SLP INTEREST RATE SUBSIDY

The municipality obtains a State Trust Fund loan to pay for a sludge storage project costing \$500,000. The term of the loan is 20 years with an annual interest rate of 6.0%.

DNR determines that the municipality's sludge storage project is a compliance maintenance project eligible for SLP subsidy payments. Let's assume the CWFP has a 5.0% market interest rate and a 3.0% subsidized interest rate available on loans for compliance maintenance projects. Based on the difference between these two interest rates, the CWFP reduces the interest rate by 2 percentage points for compliance maintenance projects. Applying this same reduction to the SLP, the interest subsidy would "buy down" the municipality's State Trust Fund loan interest rate 2 percentage points, from 6% to 4%. In this example, for the next 20 years, the DOA annually provides a check to the municipality for one-third (1/3) of the interest due on its State Trust Fund loan.

ELIGIBLE SLP PROJECTS

The following types of projects with total estimated project costs of \$1,000,000 or less are eligible:

- A compliance maintenance project.
- A project necessary to achieve substantial compliance with an enforceable requirement that was new or changed after May 17, 1988.
- A project necessary to control storm water runoff rates, volumes, and discharge quality.
- A project necessary to eliminate actual or imminent pollution of groundwater or surface water or a threat to human health in unsewered areas within a municipality.

- A project necessary for the replacement or major rehabilitation of an existing sewer collection system and necessary to maintain the integrity and performance of the treatment works serving the municipality.
- The construction of individual systems serving one or more residences, if the municipality agrees to the requirements of s. NR 162.61(2), Wis. Adm. Code.

INELIGIBLE SLP PROJECTS AND COSTS

Following is a partial listing of projects and costs that are ineligible for SLP subsidy. (For further information, see ss. NR 162.61(3) and NR 162.62(2), Wis. Adm. Code.)

- Projects costing in excess of \$1,000,000.
- Projects found to be ineligible for financing by the BCPL.
- Laterals that transport wastewater from structures to municipally-owned or privately-owned wastewater systems.
- Hook-up charges payable to other municipalities.
- Sewers that only serve development not in existence as of the date of the Interest Rate Subsidy Application.
- Storm water projects that are solely for drainage and flood control.

SLP REQUIREMENTS

Prior to preparation of the IRSA, the following must occur:

- The municipality submits to the DNR an ITA form and a PERF by the December 31st prior to the state fiscal year in which the municipality will apply for subsidy.
- The DNR approves the facility plan for the project.
- The BCPL executes the State Trust Fund loan.
- The municipality submits to DNR an Interest Rate Subsidy Application (Form 8700-249), including plans and specifications.
- The municipality submits a proposed or an executed intermunicipal agreement in cases where two or more municipalities discharge to or through the same treatment works or structural urban BMP.